FDIC State Profile

Spring 2005

New York

During 2004, New York State achieved positive job growth for the first time since 2000.

- Most New York metropolitan areas returned to positive employment growth in 2004. Reflecting population gains and lower business costs relative to **Manhattan,** the **Hudson Valley** area**,** which includes **Glens Falls, Putnam,** and **Poughkeepsie**, enjoyed the highest job growth rates in the state (See Chart 1).[1]
- Unlike prior recoveries, **New York City** is achieving job growth absent strong hiring on Wall Street. Gains in business, social, and hospitality services are driving the city's job recovery.
- **Syracuse** has become one of the stronger upstate economies reflecting job gains in professional and business services and educational and health services. **Buffalo** experienced job gains in 2004 for the first time in three years. Manufacturing losses continue to hinder job growth in **Rochester** and **Elmira**. Although easing, the area's rate of manufacturing job losses continued to exceed the average for the nation.

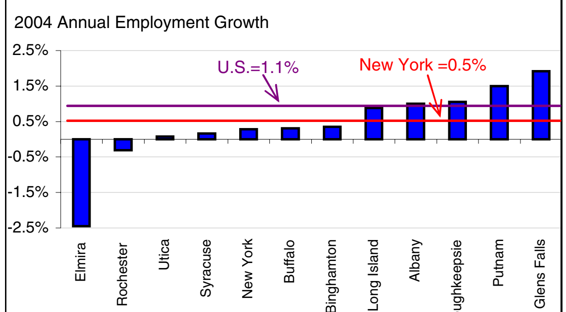
Population patterns reflect local economic trends.

- Statewide population trends continue to trail the nation primarily because of net out-migration. Population declines have been more significant in **Northern** and **Western New York** because of the long-term decline of manufacturing jobs (See Map 1).

Housing affordability has declined in areas with strong price appreciation.

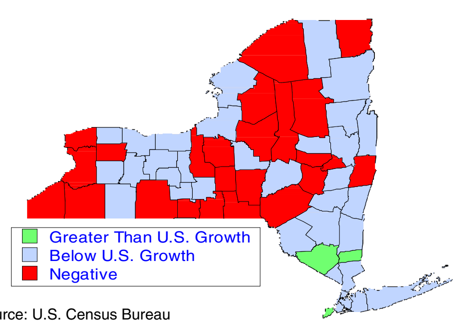
- House price appreciation in **Downstate New York** increased considerably faster than the nation between 1999 and 2004 (See Chart 2).[2] During 2004, appreciation rates increased from robust 2003 levels. As prices have appreciated, home affordability has declined in the downstate metro areas; this decline has exceeded the national average.[3] In areas where house price increases

Chart 1: 2004 Job Growth in Husdon Valley Metro Areas Outperformed Western New York



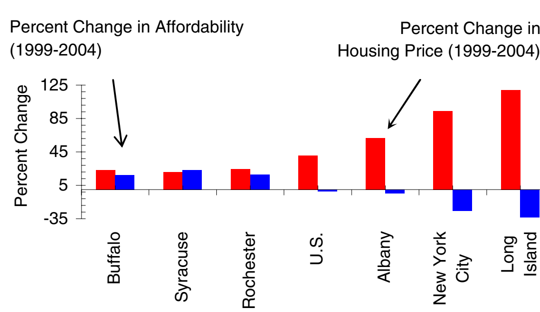
Source: Bureau of Labor Statistics/Haver Analytics

Map 1: Counties in Western and Northern NY Have Experienced Population Decline (1990-2003)



Source: U.S. Census Bureau

Chart 2: Affordability Has Declined in Areas With Significant House-Price Appreciation



Source: National Association of Realtors, Economy.com

[1] Putnam metropolitan area includes Westchester and Rockland counties. Poughkeepsie includes Newburgh and Middleton.
[2] Downstate New York includes New York City and Long Island.
[3] Affordability index is defined as when a median family income qualifies for an 80 percent mortgage on a median-priced single-family home.

have been more modest, such as parts of Northern and Western New York, affordability has improved.

New York's FDIC-insured community banks reported a stable return on assets (ROA) in 2004.

- During 2004 the state's community banks reported stable profitability as the median ROA was unchanged at 0.82 percent.[4] Provisions for loan losses declined slightly, reflecting favorable credit quality conditions.

The effect of interest rate changes on net interest margins (NIMs) will be a key trend to watch in 2005.

- Community bank NIMs, including residential lenders NIMs, increased slightly in the second half of 2004 following modest steepening in the yield curve earlier in the year (See Chart 3). However, the yield curve began to flatten in the second half 2004. Any continued flattening of the yield curve could pressure NIMs of some institutions.

- A greater share of New York's community banks may experience NIM compression because at 23 percent, the state's concentration of residential lenders is more than double the nation's.[5] Residential lender NIMs may be more vulnerable to yield curve flattening because these lenders typically rely heavily on the spread between long- and short-term interest rates.

Residential lending was the loan growth driver in 2004; however, commercial and industrial (C&I) loan growth improved.

- Reflective of strong housing markets, residential real estate-related lending, such as construction and home equity loans, lead loan growth in 2004.

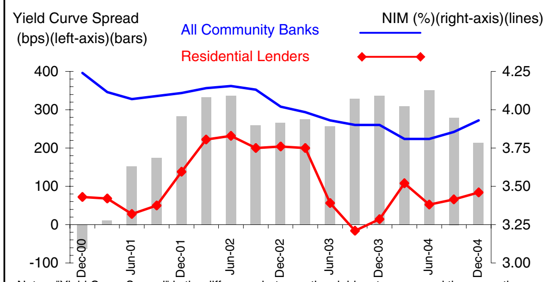
- Community banks also reported a slight increase in C&I loan growth, up 3.6 percent in 2004 following no growth in 2003. Growth in commercial loans, which is typically linked to short-term rates, should help banks offset higher funding costs as interest rates rise.

Rising interest rates and competition for deposits may pressure core deposit pricing.

- In 2004, funding costs among New York's community banks increased from record lows. Funding costs, which typically lag changes in short-term interest rates, are poised to increase in 2005 following the recent rise in short-term rates (See Chart 4).

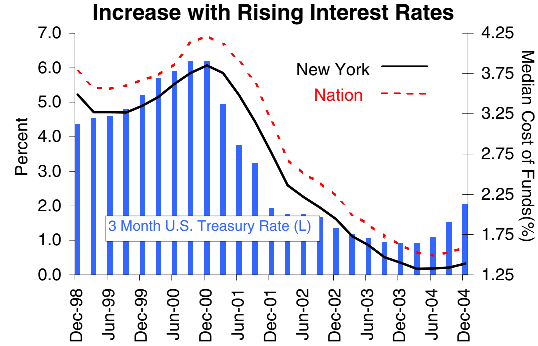
- After reaching a high in 2002, core deposit growth rates have slowed as cash flow into equity mutual funds has increased (See Chart 5). Competition from equity markets and other financial intermediaries may contribute to increases in deposit rates and changes in bank assumptions regarding deposit rate sensitivity.

Chart 3: NIMs Widened Slightly in 2004 But May Shrink in 2005 Following a Flattening Yield Curve



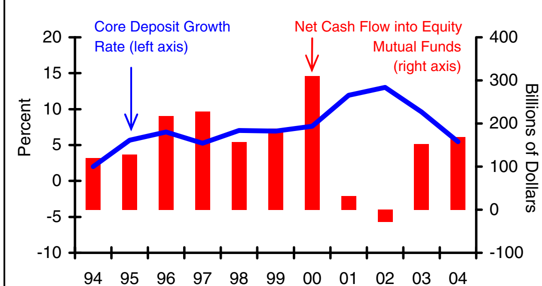
Notes: "Yield Curve Spread" is the difference between the yield on ten-year and three-month U.S. Treasury securities. Data are for banks with total assets less than $1 billion, excluding banks less than three years old. Sources: FDIC and Federal Reserve Board (Haver Analytics).

Chart 4: Bank Funding Costs are Poised to Increase with Rising Interest Rates



Sources: FDIC and Federal Reserve Board (Haver Analytics)

Chart 5: The Stock Market Again Is a Lure for Deposits



Note: Data are for banks with assets less than $1 billion, excluding banks less than three years old. Data are as of December 31st. Sources: FDIC, Securities Industry Association.

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[4] Analysis is for community banks unless otherwise noted. "Community banks" are defined as insured institutions that hold less than $1 billion in total assets. This definition excludes credit card banks and banks less than three years old.

[5] "Residential mortgage lenders" are defined as insured institutions that hold at least 50 percent of assets in 1-4 family mortgage loans and mortgage-backed securities.

New York at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.7%	-0.5%	-0.2%	-2.5%	2.0%
Manufacturing (7%)	-2.1%	-5.8%	-5.9%	-8.4%	-3.7%
Other (non-manufacturing) Goods-Producing (4%)	0.5%	-1.0%	-1.5%	-2.4%	5.1%
Private Service-Producing (72%)	1.2%	0.1%	0.2%	-2.6%	2.7%
Government (18%)	-0.1%	-0.4%	0.9%	1.0%	1.1%
Unemployment Rate (% of labor force)	5.5	6.4	6.4	5.7	4.4

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	4.6%	0.8%	-0.8%	8.8%
Single-Family Home Permits	-1.2%	-0.2%	4.6%	3.1%	5.1%
Multifamily Building Permits	31.4%	20.2%	1.6%	18.4%	11.1%
Existing Home Sales	0.0%	7.1%	2.6%	5.5%	5.2%
Home Price Index	12.6%	12.2%	11.4%	9.6%	9.5%
Bankruptcy Filings per 1000 people (quarterly level)	0.92	0.97	0.95	0.83	0.76

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	200	206	211	220	230
Total Assets (in millions)	1,166,151	1,733,625	1,619,560	1,497,889	1,436,643
New Institutions (# < 3 years)	9	8	11	15	14
Subchapter S Institutions	7	5	5	5	3

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.20	1.46	1.67	1.89	1.69
ALLL/Total Loans (median %)	1.05	1.14	1.10	1.10	1.06
ALLL/Noncurrent Loans (median multiple)	2.56	1.79	1.63	1.59	1.88
Net Loan Losses / Total Loans (median %)	0.05	0.08	0.10	0.09	0.09

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	9.08	8.72	8.51	8.85	8.96
Return on Assets (median %)	0.86	0.88	0.90	0.89	0.93
Pretax Return on Assets (median %)	1.32	1.30	1.34	1.36	1.43
Net Interest Margin (median %)	3.77	3.78	4.03	3.96	4.14
Yield on Earning Assets (median %)	5.21	5.45	6.29	7.34	7.82
Cost of Funding Earning Assets (median %)	1.38	1.60	2.13	3.33	3.79
Provisions to Avg. Assets (median %)	0.06	0.10	0.12	0.13	0.12
Noninterest Income to Avg. Assets (median %)	0.63	0.67	0.63	0.61	0.59
Overhead to Avg. Assets (median %)	2.79	2.84	2.93	2.94	2.92

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	55.8	56.1	56.2	60.0	61.4
Noncore Funding to Assets (median %)	18.1	17.1	17.4	18.9	19.8
Long-term Assets to Assets (median %, call filers)	28.0	28.6	25.6	28.4	24.9
Brokered Deposits (number of institutions)	56	60	52	55	60
Brokered Deposits to Assets (median % for those above)	2.8	1.9	2.6	1.8	1.6

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	53.0	55.5	58.7	62.1	62.3
Commercial Real Estate	148.9	146.0	134.8	124.2	108.3
Construction & Development	11.4	8.8	7.7	6.5	5.1
Multifamily Residential Real Estate	7.2	7.4	7.4	7.6	7.6
Nonresidential Real Estate	103.3	103.0	92.7	88.4	79.1
Residential Real Estate	208.6	215.1	227.5	251.3	251.6
Consumer	11.5	15.0	19.0	26.0	27.6
Agriculture	0.0	0.1	0.1	0.2	0.3

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)
New York-Northern New Jersey-Long Island, NY-NJ-PA	236	713,546
Buffalo-Niagara Falls, NY	18	24,048
Albany-Schenectady-Troy, NY	26	16,118
Rochester, NY	22	12,599
Poughkeepsie-Newburgh-Middletown, NY	33	8,467

Asset Distribution	Institutions
< $250 mil.	90 (45%)
$250 mil. to $1 bil.	68 (34%)
$1 bil. to $10 bil.	31 (15.5%)
> $10 bil.	11 (5.5%)